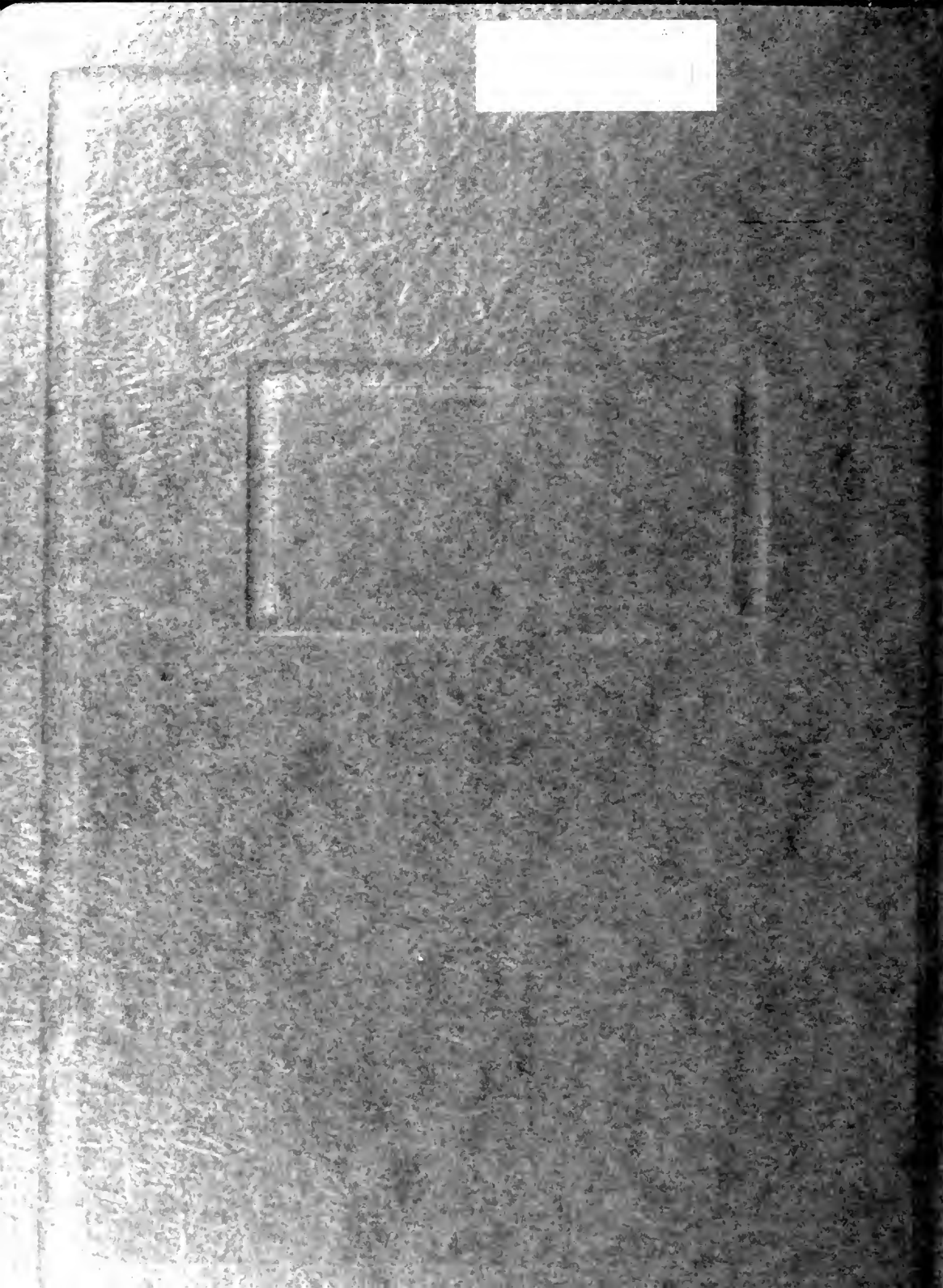


S Standaert, James F
351.7242 Statewide 40
L135fml mill levy
1991 collections





STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

October 3, 1991

STATE DOCUMENTS COLLECTION

TO: Revenue Oversight Committee

FROM: Jim Standaert
Assistant Fiscal Analyst *JEA*

RE: Statewide 40 Mill Levy Collections

DEC 20 1991

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Statewide 40 Mill Levy

PLEASE RETURN

Fiscal 1991 collections from the 40 mill statewide levy were \$12.9 million less than anticipated in HJR24--almost 20 percent below the estimate. During the first three months of fiscal 1992, counties have transmitted approximately \$6.6 million that was attributable to fiscal 1991. The remaining \$6.3 million shortfall is due to tax delinquencies and protests, oversights in the revenue estimate, and possible continuing problems with transmittals from several counties.

Two assumptions in the HJR24 revenue estimates for 40 mill statewide levy collections account for approximately \$5.9 million of the fiscal 1991 shortfall. The estimate assumed:

1) that property tax collections would equal 40 mills applied to the certified taxable value of each county. No allowance was made for delinquent or protested taxes, since this has not been a factor in long-established statewide levies (such as the six-mill university levy). However, it appears that in the implementation of a new statewide levy, that there is a one-time 3 to 5 percent shortfall in collections in the first year

(approximately \$3.1 million in this case). Based on experience with other state-wide levies, in successive years, payment of previous years' delinquencies and protested taxes will balance out current year shortfalls.

2) that statewide nonlevy revenue associated with the 40 mill levy would total \$7.3 million in fiscal 1991. [Nonlevy revenue are the fees and taxes that are distributed based upon mill levies.¹] This estimate appears to have been \$2.8 million too high, since motor vehicle fees (the single largest source of nonlevy revenue) were not distributed to the 40 mill account until mid-way through fiscal 1991 and financial institutions corporation tax is not being allocated to the account due to a Department of Revenue administrative rule.

The remaining approximately \$7 million in fiscal 1991 shortfall was due to late payments by counties and long-term protested tax cases. As noted above, in the first three months of fiscal 1992, counties have transmitted an additional \$6.6 million attributable to fiscal 1991. However, as the attached spreadsheet shows, it appears that as of the end of September some counties may not yet have transmitted all fiscal 1991 40 mill equalization revenues to the state.

Establishing precise estimates by county for 40 mill levy revenue is difficult for three reasons:

- 1) while statewide information on nonlevy revenue is available, county-specific data is not;
- 2) current data on county delinquency and protested tax rates is not available; and

¹Nonlevy revenue sources which are transmitted to the state by the counties related to the 40 mills include motor vehicle fees, net proceeds on new oil and natural gas production, interest on investments, federal payments in lieu of taxes, recreation vehicle fees, rents and leases, etc.

3) counties do not report the source (property tax or nonlevy) of 40 mill revenue transmitted to the state.

In order to monitor county transmittals, our office has developed the attached spreadsheet, which compares actual statewide levy collections for fiscal 1991 and through the first three months of fiscal 1992 with estimated collections by county. Since motor vehicle (MV) fees comprise over 70 percent of total nonlevy revenues and fairly reliable county-specific data on these fees is available, this source is included in county estimates (column 1). Column 2 shows property tax collections from a 40 mill levy applied to the certified taxable value, **assuming there were no delinquencies or protested taxes**. Therefore, the county estimates understate actual nonlevy revenue and overstate first year property tax collections.

Column 3 shows the total revenue transmitted to the state from each county by the end of fiscal 1991. Columns 4 and 5 show how this total compares to the estimate.² Assuming delinquency/protested tax rates average 3 to 5 percent, collections were anticipated to be within 5 percent of the estimate. However, as you will note, only ten counties were in this range at the end of fiscal 1991. Over 30 counties were more than 10 percent below the estimate. The only county over the estimate (Phillips), mistakenly distributed revenues from new and interim oil production to the state in fiscal 1991. Under current law, such distributions were not required until fiscal 1992.

Columns 6-8 show county transmittals through September. These transmittals include revenue attributable to fiscal 1991 and normal fiscal 1992 collections. In most cases, the only fiscal 1992 collections to date would be motor vehicle fees, which are

²The total shortfall as shown in the spreadsheet is \$9.7 million, not \$12.9 million, because of revenue estimate oversights as explained above and because the estimates do not contain all nonlevy revenue.

collected and remitted monthly. Columns 9-10 show how the total of the last 15 months collections (all of fiscal 1991 and the first three months of fiscal 1992) compare to the fiscal 1991 estimate **plus** three months of estimated motor vehicle fee revenue. As you'll note, most counties are now within the 5 percent range. However, some counties with high protested tax rates (for example, counties affected by the Bonneville Power Administration case) are outside this range. It also appears that some counties are not making monthly payments of nonlevy revenue associated with the 40 mill levy.

The Office of Public Instruction (OPI) and the Department of Administration (D of A) are taking the following steps to alleviate the problems with estimating, collecting and reporting 40 mill revenues:

- 1) They are currently surveying county treasurers to elicit a two-year history on the level of delinquent and protested taxes, time frames for processing property taxes, and county practices on investing and distributing interest earnings.

- 2) In the near future, OPI will provide D of A with an estimate of fiscal 1992 40 mill revenues by county to use as an ongoing check of county transmittals.

- 3) Beginning in fiscal 1993, D of A's form will require counties to report property tax collections and nonlevy collections separately and show the tax year for which they were collected.

- 4) D of A is considering adopting a policy regarding penalty and interest charges for counties with late payments.

| COUNTY | 1 MOTOR VEH TAXES | 2 EXPECTED 40 MILLS | 3 TOTAL SENT IN FY 91 | 4 DEFICIT (SENT IN LESS EXPECTED) | 5 DEFICIT PERC. OF EXPECTED | 6 40 MILL PMNTS MADE IN JULY 91 | 7 40 MILL PMNTS MADE IN AUG 91 | 8 40 MILL PMNTS MADE IN SEPT 91 | 9 DEFICIT (SENT IN LESS EXPECT) AS OF 9/91 | 10 DEFICIT PERC. OF EXPECTE THRU 9/91 |
|---------------|-------------------------|---------------------------|--------------------------------|--|--------------------------------------|--|---|--|--|---|
| BEAVERHEAD | \$27,074 | \$584,058 | \$546,826 | (\$64,306) | -10.52% | \$46,074 | \$6,824 | \$9,062 | (\$18,591) | -2.4 |
| BIG HORN | \$29,711 | \$1,077,356 | \$730,777 | (\$376,290) | -33.99% | \$230,467 | \$13,686 | \$87,812 | (\$62,151) | -5.1 |
| BLAINE | \$16,063 | \$543,162 | \$541,556 | (\$1,769) | -3.16% | \$89,755 | \$10,905 | \$10,529 | \$83,882 | 14.1 |
| BROADWATER | \$14,807 | \$485,570 | \$369,259 | (\$134,819) | -26.75% | \$68,509 | \$7,355 | \$3,641 | (\$64,198) | -12.1 |
| CARBON | \$27,390 | \$657,017 | \$530,599 | (\$160,656) | -23.24% | \$123,681 | \$18,913 | \$9,057 | (\$25,439) | -3.1 |
| CARTER | \$6,050 | \$220,979 | \$222,778 | (\$5,763) | -2.52% | \$4,456 | \$1,173 | \$1,531 | (\$2,233) | -0.9 |
| CASCADE | \$146,509 | \$3,502,645 | \$3,437,920 | (\$211,234) | -5.79% | \$54,756 | \$0 | \$86,861 | (\$157,522) | -4.2 |
| CHOUTEAU | \$20,779 | \$991,962 | \$781,821 | (\$230,920) | -22.80% | \$168,680 | \$6,043 | \$9,712 | (\$58,952) | -5.1 |
| CUSTER | \$23,659 | \$595,600 | \$510,830 | (\$108,429) | -17.51% | \$87,008 | \$13,536 | \$6,438 | (\$15,642) | -2.4 |
| DANIELS | \$7,381 | \$257,368 | \$244,061 | (\$20,688) | -7.81% | \$3,344 | \$2,769 | \$1,780 | (\$17,223) | -6.4 |
| DAWSON | \$27,030 | \$743,969 | \$691,683 | (\$79,316) | -10.29% | \$59,168 | \$9,502 | \$5,416 | (\$21,449) | -2.7 |
| DEER LODGE | \$19,595 | \$345,069 | \$321,811 | (\$42,853) | -11.75% | \$14,728 | \$9,970 | \$5,968 | (\$23,944) | -6.2 |
| FALLON | \$23,213 | \$554,332 | \$549,672 | (\$27,873) | -4.83% | \$12,380 | \$49,509 | \$3,076 | \$23,164 | 3.9 |
| FERGUS | \$34,678 | \$827,559 | \$697,974 | (\$164,263) | -19.05% | \$20,979 | \$101,456 | \$12,334 | (\$50,300) | -5.7 |
| FLATHEAD | \$99,142 | \$3,655,329 | \$2,622,118 | (\$1,132,353) | -30.16% | \$826,375 | \$190,355 | \$87,948 | (\$87,160) | -2.2 |
| GALLATIN | \$129,153 | \$2,865,525 | \$2,627,324 | (\$367,354) | -12.27% | \$188,248 | \$72,096 | \$58,173 | (\$126,329) | -4.1 |
| GARFIELD | \$5,985 | \$210,276 | \$210,810 | (\$6,947) | -3.19% | \$5,795 | \$4,190 | \$875 | \$323 | 0.1 |
| GLACIER | \$27,460 | \$760,812 | \$760,765 | (\$81,507) | -10.34% | \$26,460 | \$24,402 | \$6,561 | (\$40,561) | -5.0 |
| GOLDEN VALLEY | \$3,995 | \$206,484 | \$193,153 | (\$18,325) | -8.67% | \$6,817 | \$0 | \$2,349 | (\$11,557) | -5.4 |
| GRANITE | \$8,274 | \$294,030 | \$197,482 | (\$104,822) | -34.67% | \$9,703 | \$12,880 | \$3,555 | (\$83,648) | -27.2 |
| HILL | \$49,187 | \$1,187,521 | \$1,124,358 | (\$112,350) | -9.08% | \$40,862 | \$44,753 | \$26,165 | (\$30,083) | -2.3 |
| JEFFERSON | \$28,971 | \$887,273 | \$758,380 | (\$177,864) | -19.41% | \$14,869 | \$16,948 | \$6,627 | (\$156,803) | -16.1 |
| JUDITH BASIN | \$10,518 | \$351,432 | \$313,803 | (\$48,147) | -13.30% | \$11,069 | \$2,376 | \$3,732 | (\$37,281) | -10.1 |
| LAKE | \$50,719 | \$1,147,860 | \$983,581 | (\$214,998) | -17.94% | \$150,839 | \$38,388 | \$19,411 | (\$36,792) | -2.9 |
| LEWIS & CLARK | \$102,549 | \$2,589,817 | \$1,493,896 | (\$1,224,107) | -45.04% | \$574,432 | \$0 | \$0 | (\$711,204) | -25.5 |
| LIBERTY | \$10,569 | \$377,383 | \$366,436 | (\$21,516) | -5.55% | \$4,954 | \$9,415 | \$2,466 | (\$11,023) | -2.8 |
| LINCOLN | \$57,651 | \$1,294,000 | \$1,099,901 | (\$251,150) | -18.63% | \$159,917 | \$50,468 | \$18,162 | (\$57,794) | -4.1 |
| MADISON | \$27,318 | \$761,457 | \$702,520 | (\$86,255) | -10.94% | \$33,150 | \$10,488 | \$15,789 | (\$43,219) | -5.3 |
| McCONE | \$12,155 | \$312,075 | \$251,402 | (\$72,828) | -22.46% | \$14,663 | \$27,339 | \$0 | (\$38,119) | -11.5 |
| MUSCHER | \$7,811 | \$320,867 | \$298,440 | (\$32,191) | -9.74% | \$14,907 | \$7,323 | \$2,085 | (\$12,563) | -3.7 |
| MUSKIE | \$7,083 | \$320,293 | \$168,752 | (\$160,394) | -48.73% | \$26,306 | \$5,068 | \$3,359 | (\$129,911) | -38.9 |
| MISSOULA** | \$154,454 | \$4,571,879 | \$3,414,188 | (\$1,350,759) | -28.35% | \$1,038,309 | \$131,228 | \$55,815 | (\$218,080) | -4.4 |
| MUSSELSHELL | \$13,105 | \$271,279 | \$224,386 | (\$63,275) | -22.00% | \$47,942 | \$8,466 | \$5,422 | (\$9,308) | -3.1 |
| PARK | \$42,601 | \$888,394 | \$889,264 | (\$41,731) | -4.48% | \$51,537 | \$16,140 | \$15,168 | \$15,553 | 1.6 |
| PETROLEUM | \$2,152 | \$69,921 | \$63,272 | (\$8,801) | -12.21% | \$3,020 | \$2,189 | \$470 | (\$4,413) | -6.0 |
| PHILLIPS** | \$22,345 | \$941,643 | \$1,012,202 | \$48,214 | 5.00% | \$56,178 | \$9,009 | \$5,385 | \$105,379 | 10.7 |
| PONDERA | \$18,095 | \$585,343 | \$541,718 | (\$61,720) | -10.23% | \$30,766 | \$9,604 | \$6,007 | (\$26,199) | -4.2 |
| POWDER RIVER | \$10,482 | \$241,404 | \$233,895 | (\$17,991) | -7.14% | \$9,240 | \$9,912 | \$2,255 | (\$2,873) | -1.1 |
| POWELL | \$18,970 | \$499,998 | \$392,330 | (\$131,380) | -25.09% | \$21,690 | \$6,326 | \$5,208 | (\$109,538) | -20.4 |
| PRAIRIE | \$5,476 | \$170,187 | \$169,675 | (\$5,988) | -3.41% | \$824 | \$975 | \$1,088 | (\$6,386) | -3.5 |
| RAVALLI | \$66,238 | \$1,198,225 | \$1,136,687 | (\$144,335) | -11.27% | \$40,309 | \$64,367 | \$26,876 | (\$52,526) | -3.9 |
| RICHLAND | \$41,625 | \$886,640 | \$800,105 | (\$128,160) | -13.81% | \$23,064 | \$12,766 | \$8,961 | (\$108,344) | -11.2 |
| ROOSEVELT | \$23,639 | \$1,029,621 | \$965,842 | (\$87,418) | -8.30% | \$63,921 | \$9,946 | \$5,454 | (\$22,280) | -2.0 |
| ROSEBUD | \$60,204 | \$7,140,516 | \$6,896,508 | (\$304,212) | -4.22% | \$299,615 | \$21,065 | \$15,853 | (\$3,802) | -0.0 |
| SANDERS | \$26,732 | \$958,991 | \$913,684 | (\$72,039) | -7.31% | \$12,142 | \$17,038 | \$7,744 | (\$51,154) | -5.1 |
| SHERIDAN** | \$24,103 | \$497,617 | \$469,600 | (\$52,120) | -9.99% | \$5,105 | \$0 | \$31,646 | (\$29,830) | -5.5 |
| SILVER BOW | \$70,958 | \$1,819,803 | \$1,755,191 | (\$135,570) | -7.17% | \$114,341 | \$29,233 | \$62,819 | \$28,448 | 1.4 |
| STILLWATER | \$20,595 | \$723,095 | \$583,801 | (\$159,889) | -21.50% | \$118,881 | \$5,648 | \$5,940 | (\$41,778) | -5.5 |
| SWEET GRASS | \$9,851 | \$308,735 | \$293,112 | (\$27,937) | -8.70% | \$10,450 | \$4,437 | \$2,724 | (\$16,237) | -4.9 |
| TETON | \$21,198 | \$606,806 | \$440,214 | (\$187,790) | -29.90% | \$0 | \$36,952 | \$11,891 | (\$151,666) | -23.6 |
| TOOLE | \$22,032 | \$702,766 | \$605,482 | (\$119,316) | -16.46% | \$12,038 | \$41,710 | \$0 | (\$78,787) | -10.6 |
| TREASURE | \$4,070 | \$197,159 | \$191,464 | (\$9,765) | -4.85% | \$3,924 | \$1,365 | \$781 | (\$6,137) | -3.0 |
| VALLEY | \$27,154 | \$1,098,730 | \$1,029,522 | (\$96,362) | -8.56% | \$8,491 | \$7,486 | \$11,683 | (\$84,994) | -7.4 |
| WHEATLAND | \$7,686 | \$302,035 | \$271,989 | (\$39,653) | -12.72% | \$15,828 | \$5,916 | \$0 | (\$22,521) | -7.1 |
| WIBAUX | \$5,495 | \$167,175 | \$167,940 | (\$4,730) | -2.74% | \$3,468 | \$1,693 | \$2,379 | (\$487) | -0.2 |
| YELLOWSTONE | \$314,660 | \$7,343,721 | \$6,950,347 | (\$708,034) | -9.25% | \$460,186 | \$186,604 | \$110,789 | (\$139,251) | -1.7 |

STATE*** \$2,096,399 \$62,150,763 \$54,689,106 (\$9,669,550) -15.02% \$5,544,620 \$1,408,205 \$912,832 (\$3,061,732) -4.6

ADJUSTMENTS*** \$422,237 \$2,304,000

** INCLUDES PAYMENTS MADE LATE BUT STILL IN FY91, AS PER RAY HOFLAND

*** COUNTY DATA ARE FROM OPI AND DIFFER BY \$422,237 FROM DOR DATA.

**** PAYMENTS MADE BY COUNTIES FOR FY91 DO NOT INCLUDE HB 20 REIMBURSEMENTS (\$2.304 MILLION) SINCE DOR SIMPLY RETAINED THE 40 MILL PORTION OF THESE REVENUES AND TRANSMITTED THEM DIRECTLY TO OPI

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